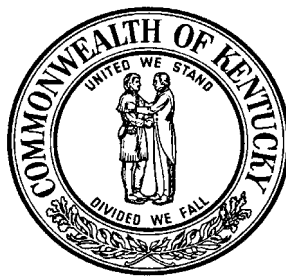


**REPORT OF THE AUDIT OF THE  
CHRISTIAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT**

**June 30, 2007**

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2007. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had net assets of \$21,690,126 as of June 30, 2007. The fiscal court had unrestricted net assets of \$9,509,628 in its governmental activities as of June 30, 2007, with total net assets of \$21,477,258. In its business-type activities, total cash and cash equivalents were \$37,119 with total net assets of \$212,868. The fiscal court had total debt principal as of June 30, 2007 of \$24,811,816 with \$868,291 due within the next year.

#### **Report Comments:**

- 2007-1 Inmate Fees Of \$39,385 Were Missing From The Christian County Detention Center
- 2007-2 Sales From Vending Machines Were Not Recorded To Support Deposits Made Into The Canteen Fund And A Lack Of Segregation Of Duties Existed Over Vending Machine Activities
- 2007-3 The Christian County Detention Center Lacked Adequate Segregation Of Duties Over Accounting Functions
- 2007-4 The Christian County Detention Center Should Review Its Financial Management System
- 2007-5 Sales Tax Was Not Remitted To The Kentucky Department Of Revenue In A Timely Manner
- 2007-6 The Jailer Should Have Required Daily Deposits For The Jail Inmate Fee Account
- 2007-7 The Jailer Should Have Required Monthly Payments To The Jail Fund For Inmate Fees
- 2007-8 Credit Card Travel Expenditures Should Be Made In Accordance With The Fiscal Court's Travel Policy
- 2007-9 All Jail Expenditures Should Be Budgeted And The Sheriff's Office Should Reimburse The Jail Fund For Expenditures Made For The Sheriff's Office With Unbudgeted Jail Funds
- 2007-10 Encumbrances Of The Jail Fund Were Understated By \$359,893 On The 4<sup>th</sup> Quarterly Report For June 30, 2007
- 2007-11 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

#### **Deposits:**

As of June 30, 2007, the fiscal court's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Christian County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Christian County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
 Honorable Steven L. Beshear, Governor  
 Jonathan Miller, Secretary  
 Finance and Administration Cabinet  
 Honorable Steve Tribble, Christian County Judge/Executive  
 Members of the Christian County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Christian County, Kentucky's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2008, on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discuss the following report comments:

- 2007-1 Inmate Fees Of \$39,385 Were Missing From The Christian County Detention Center
- 2007-2 Sales From Vending Machines Were Not Recorded To Support Deposits Made Into The Canteen Fund And A Lack Of Segregation Of Duties Existed Over Vending Machine Activities
- 2007-3 The Christian County Detention Center Lacked Adequate Segregation Of Duties Over Accounting Functions
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- 2007-10 Encumbrances Of The Jail Fund Were Understated By \$359,893 On The 4<sup>th</sup> Quarterly Report For June 30, 2007
- 2007-11 The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

Respectfully submitted,



Crit Luallen  
 Auditor of Public Accounts

October 23, 2008



**CHRISTIAN COUNTY OFFICIALS****For The Year Ended June 30, 2007****Fiscal Court Members:**

Steve Tribble	County Judge/Executive
William H. Bruce	Magistrate
Mark E. Cansler	Magistrate
Thomas C. Jones	Magistrate
Terry R. Bowman	Magistrate
Jack N. Lackey	Magistrate
James E. Fleming	Magistrate
Cleatus Edwin Long	Magistrate
Howard R. Pettus	Magistrate

**Other Elected Officials:**

J. Michael Foster	County Attorney
Bradley Boyd	Jailer
Michael A. Kem	County Clerk
Gary Haddock	Circuit Court Clerk
Lewis Leavell, Jr.	Sheriff
Mills Foster	Property Valuation Administrator
Dorris L. Lamb	Coroner

**Appointed Personnel:**

Walter Cummings, Sr.	County Treasurer
Ruth Mason	Assistant County Treasurer
Nita K. Leavell	Finance Officer

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EXECUTIVE OFFICES

## CHRISTIAN COUNTY

STEVE TRIBBLE  
COUNTY JUDGE EXECUTIVE

515 WEBER STREET  
HOPKINSVILLE, KENTUCKY 42240

TELEPHONE  
270-887-4100  
FAX  
270-885-7501

### **Management's Discussion and Analysis June 30, 2007**

The financial management of Christian County, Kentucky offers readers of Christian County's financial statements this narrative overview and analysis of the financial activities of Christian County for the fiscal year ended June 30, 2007.

#### **Financial Highlights**

- Christian County had net assets of \$21,690,126 as of June 30, 2007. The fiscal court had unrestricted net assets of \$9,509,628 in the governmental activities as of June 30, 2007, with total net assets of \$21,477,258. In the business-type activities, cash and cash equivalents were \$37,119 with total assets of \$212,868. Total debt for governmental activities principal as of June 30, 2007 was \$24,811,816 with \$868,291 due within one year.
- The governmental activities' total net assets increased by \$1,350,494 from the prior year. This increase is primarily due to unanticipated receipts and debt reduction that was greater than depreciation of the capital assets.
- At the close of the current fiscal year, Christian County governmental funds reported cash and cash equivalents of \$8,150,684. Of this amount, \$7,546,798 is available for spending at the government's discretion (unreserved fund balance).
- Christian County's total indebtedness at the close of fiscal year June 30, 2007 was \$24,811,816, of which \$23,943,525 was long-term debt (due after 1 year) and \$868,291 was short-term debt (to be paid within 1 year). Debt additions were \$19,437,434, including bond refunding and debt reductions were \$17,180,883, including bond refunding, for a net increase of \$2,256,551 for the year.

#### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Christian County's basic financial statements. Christian County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Christian County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Christian County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Christian County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Christian County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Christian County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation and culture, social services, airports, debt service, and capital projects. Christian County has one business type activity - Jail Canteen.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Christian County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Christian County can be divided into broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Christian County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Governmental Funds (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Christian County maintains (8) eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Revolving Loan Fund
- E-911 Fee Fund
- Industrial Authority Revolving Loan Fund
- Christian County Public Courthouse Corporation Fund

Christian County adopts an annual appropriated budget for its major governmental funds except for the Public Courthouse Corporation Fund and the Industrial Authority Revolving Loan Fund, which were not budgeted by the fiscal court. A budgetary comparison statement has been provided for each of the budgeted funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund and the Christian County Health Insurance Fund.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Christian County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County As A Whole**

**Net Assets.** Net assets may serve over time as a useful indicator of a government's financial position.

**Table 1  
Christian County's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Assets</b>						
Current and other assets	\$ 8,457,957	\$ 9,509,628	\$ 18,736	\$ 37,119	\$ 8,476,693	\$ 9,546,747
Net Capital Assets	34,224,072	36,779,446	174,841	175,749	34,398,913	36,955,195
Total Assets	<u>\$ 42,682,029</u>	<u>\$ 46,289,074</u>	<u>\$ 193,577</u>	<u>\$ 212,868</u>	<u>\$ 42,875,606</u>	<u>\$ 46,501,942</u>
<b>Liabilities</b>						
Current and other Liabilities	\$ 1,126,530	\$ 868,291	\$	\$	\$ 1,126,530	\$ 868,291
Long-term Liabilities	21,428,735	23,943,525			21,428,735	23,943,525
Total Liabilities	<u>\$ 22,555,265</u>	<u>\$ 24,811,816</u>	<u>\$</u>	<u>\$</u>	<u>\$ 22,555,265</u>	<u>\$ 24,811,816</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$ 11,668,807	\$ 11,967,630	\$ 174,841	\$ 175,749	\$ 11,843,648	\$ 12,143,379
Unrestricted	8,457,957	9,509,628	18,736	37,119	8,476,693	9,546,747
Total Net Assets	<u>\$ 20,126,764</u>	<u>\$ 21,477,258</u>	<u>\$ 193,577</u>	<u>\$ 212,868</u>	<u>\$ 20,320,341</u>	<u>\$ 21,690,126</u>

**Changes in Net Assets.**

*Governmental Activities.* Christian County's net assets increased by \$1,350,494 in fiscal year 2007. Key elements of this are as follows:

- Current assets increased \$1,051,671, due to unexpected miscellaneous revenues.
- Investment in capital assets and infrastructure, net of related debt increased \$298,823.
- Current and long-term liabilities increased by \$2,256,551.
- General revenues were \$6,759,683 and total revenues were \$18,352,052 as reflected in the Statement of Activities
- Expenditures totaled \$17,001,558 as reflected in the Statement of Activities.

*Business-type Activities.* Christian County's net assets increased by \$19,291 in fiscal year 2007. Key elements are as follows:

- Current assets and cash increased by \$18,383.
- Investment in capital assets increased \$908.
- Total revenue was \$574,841 as reflected in the Statement of Activities.
- Expenditures totaled \$555,550 as reflected in the Statement of Activities.

**Christian County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County As A Whole (Continued)**

**Table 2  
Christian County's Comparison  
of General Revenue by Source and  
Program Expenses by Function**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Program Revenues</b>						
Charges for Services	\$ 5,163,470	\$ 5,101,453	\$ 571,669	\$ 573,643	\$ 5,735,139	\$ 5,675,096
Operating Grants and Contributions	2,958,968	3,073,512			2,958,968	3,073,512
Capital Grants and Contributions	2,682,644	3,417,404			2,682,644	3,417,404
<b>General Revenues</b>						
Taxes	3,953,528	4,257,221			3,953,528	4,257,221
Miscellaneous and Other	1,913,897	2,502,462	137	1,198	1,914,034	2,503,660
<b>Total Revenue</b>	<b>16,672,507</b>	<b>18,352,052</b>	<b>571,806</b>	<b>574,841</b>	<b>17,244,313</b>	<b>18,926,893</b>
<b>Expenses</b>						
General Government	4,473,261	5,433,655			4,473,261	5,433,655
Protection to Persons and Property	5,357,877	5,090,978			5,357,877	5,090,978
General Health and Sanitation	260,878	287,371			260,878	287,371
Social Services	84,657	96,894			84,657	96,894
Recreation and Culture	119,696	123,154			119,696	123,154
Roads	1,336,399	1,354,790			1,336,399	1,354,790
Airports	24,500	26,000			24,500	26,000
Debt Service	1,146,098	2,285,973			1,146,098	2,285,973
Capital Projects	759,820	2,302,743			759,820	2,302,743
Jail Canteen			587,127	555,550	587,127	555,550
<b>Total Expenses</b>	<b>13,563,186</b>	<b>17,001,558</b>	<b>587,127</b>	<b>555,550</b>	<b>14,150,313</b>	<b>17,557,108</b>
<b>Change In Net Assets</b>	<b>3,109,321</b>	<b>1,350,494</b>	<b>(15,321)</b>	<b>19,291</b>	<b>3,094,000</b>	<b>1,369,785</b>
<b>Net Assets - Beginning</b>	<b>17,017,443</b>	<b>20,126,764</b>	<b>208,898</b>	<b>193,577</b>	<b>17,226,341</b>	<b>20,320,341</b>
<b>Net Assets - Ending</b>	<b>\$ 20,126,764</b>	<b>\$ 21,477,258</b>	<b>\$ 193,577</b>	<b>\$ 212,868</b>	<b>\$ 20,320,341</b>	<b>\$ 21,690,126</b>

**Christian County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Financial Analysis of the County's Funds**

*Governmental Funds Overview.* As of the end of June 2007 fiscal year, the combined ending fund balances of County governmental funds were \$8,150,684. Approximately 87% (\$7,116,509) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,034,175) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

As noted earlier, the County has (8) eight major governmental funds.

1. The General Fund is the chief operating fund of Christian County. At the end of June 30, 2007 fiscal year, unreserved fund balance of the General Fund was \$6,181,146. The County received \$4,330,794 in real and personal property, motor vehicle, and other taxes for approximately 51% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 49% of revenues. There was a significant budget variance in General Fund revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a \$28,026 fund balance at June 30, 2007. The fiscal year 2007 expenditures for the Road Fund were \$2,632,725.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2007 of \$37,836. The Jail Fund received \$4,071,334 for intergovernmental fees, primarily for housing prisoners.
4. The Local Government Economic Assistance Fund had a fund balance of \$27,021 as of June 30, 2007. These funds are held for economic development.
5. The Revolving Loan Fund had a fund balance of \$411,110. These funds are used to make loans to local businesses.
6. The E-911 Fee Fund had a fund balance of \$1,011,378. These funds are used for 911 services.
7. The Industrial Authority Revolving Loan Fund had a fund balance \$339,206 as of June 30, 2007. These funds are held for loans to local businesses.
8. The Christian County Public Courthouse Corporation Fund had a fund balance of \$7,403 as of June 30, 2007.

*Proprietary Funds Overview.* The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Christian County has (1) one enterprise fund, which is:

- Jail Canteen Fund



**Christian County**  
**Management's Discussion and Analysis**  
**June 30, 2007**  
**(Continued)**

**Financial Analysis of the County's Funds (Continued)**

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2007 fiscal year, amounted to \$37,119 and total assets were \$212,868.

*Internal Service Fund Overview.* Christian County maintains (1) one internal service fund, which is:

- Health Insurance Fund.

The Health Insurance Fund's unrestricted total assets at the end of June 30, 2007 were \$993,729.

**Capital Assets and Debt Administration**

*Capital Assets.* Christian County's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amount to \$36,955,195 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for the energy conservation project.

Major capital asset events during the 2007 fiscal year included the road operations, the purchase of several vehicles, and energy conservation improvements.

Additional information about the County's capital assets can be found in Note 4 of this report.

**Table 3**  
**Christian County's Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>
<b>Assets</b>						
Infrastructure						
Assets	\$ 3,901,637	\$ 4,606,463	\$	\$	\$ 3,901,637	\$ 4,606,463
Land	2,263,092	2,263,092			2,263,092	2,263,092
Construction						
In Progress	27,504	2,198,157			27,504	2,198,157
Buildings	26,562,117	26,159,216			26,562,117	26,159,216
Furniture and						
Fixtures	401,020	345,388			401,020	345,388
Land						
Improvements	91,054	80,997			91,054	80,997
Vehicles and						
Equipment	977,648	1,126,133	174,841	175,749	1,152,489	1,301,882
Total Net						
Capital Assets	<u>\$ 34,224,072</u>	<u>\$ 36,779,446</u>	<u>\$ 174,841</u>	<u>\$ 175,749</u>	<u>\$ 34,398,913</u>	<u>\$ 36,955,195</u>

**Christian County  
Management's Discussion and Analysis  
June 30, 2007  
(Continued)**

**Capital Assets and Debt Administration (Continued)**

*Long-Term Debt.* At the end of the 2007 fiscal year, Christian County had total bonded debt outstanding of \$19,410,000 from General Obligation Bonds. The County had financing agreements totaling \$5,401,816. Additional information on the county's long-term debt can be found in Note 5 of this report.

**Other Matters.** The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2008 fiscal year budget:

- The 2008 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, will have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Christian County.

**Requests For Information**

This financial report is designed to provide a general overview of Christian County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Christian County Treasurer, 521 Weber Street, Hopkinsville, KY, 42240.

**CHRISTIAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**CHRISTIAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 9,144,413	\$ 37,119	\$ 9,181,532
Notes Receivable	62,286		62,286
Total Current Assets	<u>9,206,699</u>	<u>37,119</u>	<u>9,243,818</u>
Noncurrent Assets:			
Notes Receivable	302,929		302,929
Capital Assets - Net of Accumulated Depreciation			
Land	2,263,092		2,263,092
Land Improvements	80,997		80,997
Construction in Progress	2,198,157		2,198,157
Buildings	26,159,216		26,159,216
Furniture and Office Equipment	345,388		345,388
Vehicles and Equipment	1,126,133	175,749	1,301,882
Infrastructure Assets - Net of Depreciation	<u>4,606,463</u>		<u>4,606,463</u>
Total Noncurrent Assets	<u>37,082,375</u>	<u>175,749</u>	<u>37,258,124</u>
Total Assets	<u>46,289,074</u>	<u>212,868</u>	<u>46,501,942</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Bonds Payable	510,000		510,000
Financing Obligations Payable	358,291		358,291
Total Current Liabilities	<u>868,291</u>		<u>868,291</u>
Noncurrent Liabilities:			
Bonds Payable	18,900,000		18,900,000
Financing Obligations Payable	5,043,525		5,043,525
Total Noncurrent Liabilities	<u>23,943,525</u>		<u>23,943,525</u>
Total Liabilities	<u>24,811,816</u>		<u>24,811,816</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	11,967,630	175,749	12,143,379
Unrestricted	<u>9,509,628</u>	<u>37,119</u>	<u>9,546,747</u>
Total Net Assets	<u>\$ 21,477,258</u>	<u>\$ 212,868</u>	<u>\$ 21,690,126</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Governmental Activities:				
General Government	\$ 5,433,655	\$ 122,124	\$ 624,425	\$ 253,586
Protection to Persons and Property	5,090,978	4,906,384	1,985,865	4,928
General Health and Sanitation	287,371	72,945		1,385,696
Social Services	96,894			
Recreation and Culture	123,154			
Roads	1,354,790		463,222	1,773,194
Airports	26,000			
Debt Service	2,285,973			
Capital Projects	2,302,743			
Total Governmental Activities	<u>17,001,558</u>	<u>5,101,453</u>	<u>3,073,512</u>	<u>3,417,404</u>
Business-type Activities:				
Jail Canteen	555,550	573,643		
Total Business-type Activities	<u>555,550</u>	<u>573,643</u>		
Total	<u>\$ 17,557,108</u>	<u>\$ 5,675,096</u>	<u>\$ 3,073,512</u>	<u>\$ 3,417,404</u>

**General Revenues:**

Taxes:  
    Real Property Taxes  
    Personal Property Taxes  
    Motor Vehicle Taxes  
    Other Taxes  
E-911 Fee  
In Lieu of Tax  
Sheriff/Clerk 25% Account  
Miscellaneous Revenues  
Telephone Commissions  
Interest Received  
Gain on Capital Assets Disposed

Total General Revenues  
Change in Net Assets  
Net Assets - Beginning (Restated)  
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**CHRISTIAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (4,433,520)	\$	\$ (4,433,520)
1,806,199		1,806,199
1,171,270		1,171,270
(96,894)		(96,894)
(123,154)		(123,154)
881,626		881,626
(26,000)		(26,000)
(2,285,973)		(2,285,973)
(2,302,743)		(2,302,743)
(5,409,189)		(5,409,189)
	18,093	18,093
	18,093	18,093
\$ (5,409,189)	\$ 18,093	\$ (5,391,096)
2,687,325		2,687,325
540,790		540,790
291,547		291,547
737,559		737,559
211,028		211,028
192,597		192,597
1,018,566		1,018,566
472,237		472,237
192,844		192,844
374,659	1,198	375,857
40,531		40,531
6,759,683	1,198	6,760,881
1,350,494	19,291	1,369,785
20,126,764	193,577	20,320,341
\$ 21,477,258	\$ 212,868	\$ 21,690,126

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Revolving Loan Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,288,704	\$ 28,026	\$ 37,836	\$ 27,021	\$ 411,110
Total Assets	<u>\$ 6,288,704</u>	<u>\$ 28,026</u>	<u>\$ 37,836</u>	<u>\$ 27,021</u>	<u>\$ 411,110</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 107,558	\$ 337,388	\$ 572,467	\$	\$
Unreserved:					
General Fund	6,181,146				
Special Revenue Funds		(309,362)	(534,631)	27,021	411,110
Debt Service Fund					
Total Fund Balances	<u>\$ 6,288,704</u>	<u>\$ 28,026</u>	<u>\$ 37,836</u>	<u>\$ 27,021</u>	<u>\$ 411,110</u>

The accompanying notes are an integral part of the financial statements.

**CHRISTIAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>E-911 Fee Fund</b>	<b>Industrial Authority Revolving Loan Fund</b>	<b>Public Courthouse Corporation Fund</b>	<b>Total Governmental Funds</b>
\$ 1,011,378	\$ 339,206	\$ 7,403	\$ 8,150,684
\$ 1,011,378	\$ 339,206	\$ 7,403	\$ 8,150,684
\$ 16,762	\$	\$	\$ 1,034,175
994,616	339,206	7,403	6,181,146 927,960 7,403
\$ 1,011,378	\$ 339,206	\$ 7,403	\$ 8,150,684

**Reconciliation To Statement Of Net Assets**

Total Fund Balances	\$ 8,150,684
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Notes Receivable is not considered a current resource and therefore, is not reported in the Funds.	365,215
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	44,909,578
Accumulated Depreciation	(8,130,132)
Internal Service Fund Is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets Are Included in Governmental Activities on the Statement of Net Assets	993,729
Long - term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Bonded Debt	(19,410,000)
Financing Obligations	(5,401,816)
Net Assets of Governmental Activities	\$ 21,477,258

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>REVENUES</b>				
Taxes	\$ 4,138,197	\$	\$	\$
In Lieu Tax Payments	192,597			
Excess Fees	1,018,566			
Licenses and Permits	121,214			
Intergovernmental	2,378,379	2,011,424	4,071,334	295,955
Charges for Services	233,014		1,045,751	
Miscellaneous	202,032	43,242	422,083	
Interest	255,728	28,618	11,818	3,633
Total Revenues	<u>8,539,727</u>	<u>2,083,284</u>	<u>5,550,986</u>	<u>299,588</u>
<b>EXPENDITURES</b>				
General Government	1,899,934			70,963
Protection to Persons and Property	468,453		3,884,538	
General Health and Sanitation	277,945			
Social Services	74,819			
Recreation and Culture	109,962			
Roads		1,943,310		311,403
Airports	26,000			
Debt Service	395,858		735,558	
Capital Projects	4,061,275	439,625		
Administration	1,881,759	249,790	1,123,189	
Total Expenditures	<u>9,196,005</u>	<u>2,632,725</u>	<u>5,743,285</u>	<u>382,366</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(656,278)</u>	<u>(549,441)</u>	<u>(192,299)</u>	<u>(82,778)</u>
<b>Other Financing Sources (Uses)</b>				
Financing Agreement Proceeds	2,892,434			
Bond Proceeds				
Bond Discount				
Transfers To Other Funds	(420,000)		(66,300)	
Transfers From Other Funds		270,000	150,000	
Payment to Refunded Bond Escrow Agent				
Total Other Financing Sources (Uses)	<u>2,472,434</u>	<u>270,000</u>	<u>83,700</u>	
Net Change in Fund Balances	1,816,156	(279,441)	(108,599)	(82,778)
Fund Balances - Beginning	4,472,548	307,467	146,435	109,799
Fund Balances - Ending	<u>\$ 6,288,704</u>	<u>\$ 28,026</u>	<u>\$ 37,836</u>	<u>\$ 27,021</u>

The accompanying notes are an integral part of the financial statements.



**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Revolving Loan Fund</b>	<b>E-911 Fee Fund</b>	<b>Industrial Authority Revolving Loan Fund</b>	<b>Public Courthouse Corporation Fund</b>	<b>Total Governmental Funds</b>
\$	\$ 211,028	\$	\$	\$ 4,349,225
				192,597
				1,018,566
				121,214
	175,118		1,379,207	10,311,417
				1,278,765
		93,255		760,612
15,041	49,666	7,583	15,378	387,465
<u>15,041</u>	<u>435,812</u>	<u>100,838</u>	<u>1,394,585</u>	<u>18,419,861</u>
15,000				1,985,897
	583,176			4,936,167
				277,945
				74,819
				109,962
				2,254,713
				26,000
			1,593,071	2,724,487
				4,500,900
		13		3,254,751
<u>15,000</u>	<u>583,176</u>	<u>13</u>	<u>1,593,071</u>	<u>20,145,641</u>
41	(147,364)	100,825	(198,486)	(1,725,780)
				2,892,434
			16,545,000	16,545,000
			(180,054)	(180,054)
				(486,300)
			66,300	486,300
			(16,552,315)	(16,552,315)
			(121,069)	2,705,065
41	(147,364)	100,825	(319,555)	979,285
411,069	1,158,742	238,381	326,958	7,171,399
<u>\$ 411,110</u>	<u>\$ 1,011,378</u>	<u>\$ 339,206</u>	<u>\$ 7,403</u>	<u>\$ 8,150,684</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**CHRISTIAN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 979,285
<p>Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	1,930,096
Construction In Progress	2,198,157
Depreciation Expense	(1,309,700)
Book Value of Capital Assets Disposed	(263,179)
<p>Payments received on notes receivable provide a current financial resource to governmental funds while reducing the receivable at the government-wide level. Therefore, the activity has been eliminated on the statement of activities.</p>	
Internal Service Funds Are Used By Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of This Fund Are Reported with Governmental Activities.	(79,630)
The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds while Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, however, Have No Effect on Net Assets.	152,016
Financing Obligation Proceeds	(2,892,434)
Bond Issuance	(16,545,000)
Financing Obligations Payments	525,883
Bond Payments	295,000
Payment to Bond Escrow Agent	16,552,315
Change in Long-Term Liabilities as a result of Bond Refunding	(192,315)
Change in Net Assets of Governmental Activities	<u>\$ 1,350,494</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**





**CHRISTIAN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activity</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 37,119	\$ 993,729
Total Current Assets	<u>37,119</u>	<u>993,729</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	278,911	
Less Accumulated Depreciation	<u>(103,162)</u>	
Total Noncurrent Assets	<u>175,749</u>	
Total Assets	<u>212,868</u>	<u>993,729</u>
<b>Net Assets</b>		
Invested in Capital Assets	175,749	
Unrestricted	<u>37,119</u>	<u>993,729</u>
Total Net Assets	<u>\$ 212,868</u>	<u>\$ 993,729</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**CHRISTIAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u><b>Business-Type Activity</b></u>	<u><b>Governmental Activities</b></u>
	<u><b>Enterprise Fund</b></u>	<u><b>Internal Service Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>	<u><b>Health Insurance Fund</b></u>
<b>Operating Revenues</b>		
Canteen Receipts	\$ 573,643	\$
Reimbursements		1,340,357
Total Operating Revenues	<u>573,643</u>	<u>1,340,357</u>
<b>Operating Expenses</b>		
Cost of Sales	460,869	
Educational and Recreational	66,322	
Depreciation	26,926	
Administrative		1,220,374
Miscellaneous	1,433	
Total Operating Expenses	<u>555,550</u>	<u>1,220,374</u>
Operating Income (Loss)	<u>18,093</u>	<u>119,983</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest Income	1,198	32,033
Inmate Pay From State	7,166	
Inmate Refunds	<u>(7,166)</u>	
Net Nonoperating Revenues (Expenses)	<u>1,198</u>	<u>32,033</u>
Change In Net Assets	19,291	152,016
Total Net Assets - Beginning (Restated)	<u>193,577</u>	<u>841,713</u>
Total Net Assets - Ending	<u><u>\$ 212,868</u></u>	<u><u>\$ 993,729</u></u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**





**CHRISTIAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-type Activity</b>	<b>Governmental Activities</b>
	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>		
Receipts From Customers	\$ 573,643	\$ 1,340,357
Cost of Sales	(460,869)	
Educational and Recreational	(66,322)	
Administrative		(1,220,374)
Miscellaneous	(1,433)	
Net Cash Provided By		
Operating Activities	45,019	119,983
<b>Cash Flows From Noncapital Financing Activities</b>		
Inmate Pay From State	7,166	
Inmate Refunds on Accounts	(7,166)	
Net Cash Provided By Noncapital		
Financing Activities	0	0
<b>Cash Flows From Capital and Related Financing Activities</b>		
Capital Assets	(27,834)	
Net Cash Used By Capital and		
Related Financing Activities	(27,834)	
<b>Cash Flows From Investment Activities</b>		
Interest Earned	1,198	32,033
Net Cash Provided By		
Investment Activities	1,198	32,033
Net Increase (Decrease) in Cash and Cash		
Equivalents	18,383	152,016
Cash and Cash Equivalents - July 1, 2006 (Restated)	18,736	841,713
Cash and Cash Equivalents - June 30, 2007	<u>\$ 37,119</u>	<u>\$ 993,729</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Income	\$ 18,093	\$ 119,983
Adjustments to Reconcile Operating		
Income To Net Cash Provided		
By Operating Activities		
Depreciation Expense	26,926	
Net Cash Provided By		
Operating Activities	<u>\$ 45,019</u>	<u>\$ 119,983</u>

The accompanying notes are an integral part of the financial statements.

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**CHRISTIAN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**



**CHRISTIAN COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

	<u><b>Agency Fund</b></u>
	<b>Dog</b>
	<b>Warden</b>
	<u><b>Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 5,947
Total Assets	<u>5,947</u>
<b>Liabilities</b>	
Amounts Held In Custody For Others	<u>5,947</u>
Total Liabilities	<u>5,947</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the State of Net Assets, but notes receivable are not included or recognized on Balance Sheet- Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Christian County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Units

**Christian County Public Courthouse Corporation**

The Christian County Fiscal Court appoints the Public Courthouse Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Courthouse Corporation. Financial information for the Public Courthouse Corporation is blended within Christian County's financial statements. All activities of the Public Courthouse Corporation are accounted for within a major (debt service) fund.

**Christian County Industrial Authority**

The Christian County Fiscal Court appoints the Industrial Authority's governing board and has the ability to impose its will on the governing board. Financial information for the Industrial Authority is blended within Christian County's financial statements. All activities of the Industrial Authority are accounted for within a major (special revenue) fund.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Christian County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Christian County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.



**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, and payments from other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for coal and mineral tax revenues. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Department for Local Government criteria for small business loans. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

E-911 Fee Fund - The primary purpose of this fund is to account for 911 tax revenues and emergency services expenditures.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Industrial Authority Revolving Loan Fund - The purpose of this fund is to account for the activities of the Christian County Industrial Authority, a blended component unit of the county. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Department for Local Government approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The purpose of this fund is to account for the activities of the Public Courthouse Corporation, a blended component unit of the county. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Revolving Loan Fund, E-911 Fee Fund, and the Industrial Authority Revolving Loan Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Funds:**

The Public Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise Fund:**

The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds (Continued)**

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Internal Service Fund**

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, Dog Warden Fund, is used to account for dog fees held by the dog warden, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budget to be adopted for the Industrial Authority Revolving Loan Fund, Public Courthouse Corporation Fund, and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Related Organizations and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Christian County Water District is considered a related organization of Christian County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Christian County Fiscal Court: Hopkinsville-Christian County Airport; Hopkinsville-Christian County Ambulance Service; Hopkinsville-Christian County Communication Center; Hopkinsville-Christian County Convention and Visitors Center; Hopkinsville-Christian County Economic Development Council; Hopkinsville-Christian County Public Library; Hopkinsville-Christian County Recreation Commission; Hopkinsville-Christian County Senior Citizens; and Hopkinsville-Christian County Planning Commission.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Notes Receivable**

- A. The County loaned \$60,000 to BuyRite Parts on February 6, 1998, for the purpose of purchasing real estate and improvements. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that BuyRite Parts is in substantial compliance with this agreement. As of June 30, 2007, principal balance due was paid in full.
- B. The County loaned \$100,000 to Ag Spray Equipment, Inc., on October 6, 1998, for the purpose of financing a building and real estate. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that Ag Spray Equipment, Inc., is in substantial compliance with this agreement. As of June 30, 2007, principal balance due was \$15,688.
- C. The County loaned \$100,000 to Paris Packaging on July 21, 2003, for the purpose of financing the acquisition of certain assets. Terms of the agreement stipulate a 5-year repayment schedule at 3.0 percent interest. Records indicate that Paris Packaging is in substantial compliance with this agreement. As of June 30, 2007, principal balance due was \$22,956.
- D. The County loaned \$300,000 to Commonwealth Agri Energy, LLC on April 20, 2004 for the purpose of constructing an Ethanol production facility. Terms of the agreement stipulate a 10-year repayment schedule at 3.0 percent interest. Records indicate that Commonwealth Agri Energy, LLC is in substantial compliance with this agreement. As of June 30, 2007, principal balance due was \$237,222.
- E. The County loaned \$100,000 to Maintainer Corporation of Kentucky on April 25, 2006 for the purpose of financing real estate. Terms of the agreement stipulate a 10-year repayment schedule at 4.0 percent interest. Records indicate that Maintainer Corporation is in substantial compliance with this agreement. As of June 30, 2007 was \$89,349.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Notes Receivable (Continued)**

These receivables are due to the Industrial Authority Revolving Loan Fund. Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, including the delinquent principal payments are as follows:

	<u>Amount</u>
Short Term	\$ 62,286
Long Term	<u>302,929</u>
Total Receivables	<u><u>\$ 365,215</u></u>

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Reporting Entity</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 27,504	\$ 2,198,157	\$ (27,504)	\$ 2,198,157
Land	<u>2,263,092</u>			<u>2,263,092</u>
Total Capital Assets Not Being Depreciated	<u>2,290,596</u>	<u>2,198,157</u>	<u>(27,504)</u>	<u>4,461,249</u>
Capital Assets, Being Depreciated:				
Land Improvements	125,096			125,096
Buildings	29,824,475			29,824,475
Furniture and Office Equipment	899,034	8,048		907,082
Vehicles and Equipment	2,327,586	573,952	(370,638)	2,530,900
Infrastructure	<u>5,685,176</u>	<u>1,375,600</u>		<u>7,060,776</u>
Total Capital Assets Being Depreciated	<u>38,861,367</u>	<u>1,957,600</u>	<u>(370,638)</u>	<u>40,448,329</u>
Less Accumulated Depreciation For:				
Land Improvements	(34,042)	(10,057)		(44,099)
Buildings	(3,262,358)	(402,901)		(3,665,259)
Furniture and Office Equipment	(498,014)	(63,680)		(561,694)
Vehicles and Equipment	(1,349,938)	(162,288)	107,459	(1,404,767)
Infrastructure	<u>(1,783,539)</u>	<u>(670,774)</u>		<u>(2,454,313)</u>
Total Accumulated Depreciation	<u>(6,927,891)</u>	<u>(1,309,700)</u>	<u>107,459</u>	<u>(8,130,132)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,933,476</u>	<u>647,900</u>	<u>(263,179)</u>	<u>32,318,197</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 34,224,072</u></u>	<u><u>\$ 2,846,057</u></u>	<u><u>\$ (290,683)</u></u>	<u><u>\$ 36,779,446</u></u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Capital asset activity for the year ended June 30, 2007 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 251,077	\$ 27,834	\$	\$ 278,911
Total Capital Assets Being Depreciated	251,077	27,834		278,911
Less Accumulated Depreciation For:				
Vehicles and Equipment	(76,236)	(26,926)		(103,162)
Total Accumulated Depreciation	(76,236)	(26,926)		(103,162)
Total Capital Assets, Being Depreciated, Net	174,841	908		175,749
Business-Type Activities Capital Assets, Net	\$ 174,841	\$ 908	\$ 0	\$ 175,749

Depreciation expense was charged to functions of the government as follows:

Governmental Activities:

General Government	\$ 345,023
Protection to Persons and Property	164,811
General Health and Sanitation	9,426
Social Services	22,075
Recreation and Culture	13,192
Roads, Including Depreciation of General Infrastructure Assets	755,173
Total Depreciation Expense - Governmental Activities	\$ 1,309,700

Business-Type Activities

Jail Canteen Fund	\$ 26,926
Total Depreciation Expense - Business-Type Activities	\$ 26,926



**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Bonds, Series 1998**

The county issued general obligation bonds in the amount of \$4,705,000 on December 1, 1998. The proceeds of the bonds were used to expand, renovate, and improve the Christian County Detention Facility. The bonds bear interest between 3.5% and 4.2%. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is December 1, 2014. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The balance of these general obligation bonds as of June 30, 2007 was \$2,865,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 112,604	\$ 310,000
2009	99,924	320,000
2010	86,534	335,000
2011	72,362	350,000
2012	57,435	365,000
2013-2015	75,915	1,185,000
Totals	<u>\$ 504,774</u>	<u>\$ 2,865,000</u>

**B. Revenue Bonds, Series 2000**

On November 1, 2000, the Christian County Public Courthouse Corporation issued bonds in the amount of \$18,565,000 for the purpose of financing the cost of the acquisition, construction, and equipping of the Justice Center, a court facility, and complete renovations of the Christian County Corrections Center.

The Christian County Public Courthouse Corporation issued Christian County Public Courthouse Corporation (Kentucky) Lease Revenue Refunding Bonds (Court Facility Project), Series 2007 in the amount of \$16,545,000. The proceeds of the Bonds will be used to refund the outstanding Series 2000 Bonds.

**C. Revenue Refunding Bonds, Series 2007**

The Christian County Public Courthouse Corporation (the "Corporation") was established by the County of Christian, Kentucky (the "County") to act as the agency and instrumentality of the County in acquiring, developing and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (the "Series 2000 Bonds") for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Revenue Refunding Bonds, Series 2007 (Continued)**

The Corporation adopted at the direction of the Fiscal Court of the County, a resolution (the "Resolution") authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The proceeds of the Bonds will be used to refund the outstanding Series 2000 Bonds. The refunding of the Series 2000 Bonds will be accomplished pursuant to the Escrow Agreement by and between the Corporation and U. S. Bank, National Association, the paying agent for the Series 2000 Bonds (the "Escrow Agent") by depositing with the Escrow Agent a sum of initial cash and certain noncallable direct obligations of the United States Treasury (collectively, the "Government Obligations"). The funds needed to make the initial cash deposit and to purchase the Government Obligations will be provided from the proceeds of the Bonds.

The Government Obligations to be purchased and deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the Escrow Agent, will be available to fully provide for: (i) the timely payment of interest on the Series 2000 Bonds accruing from August 1, 2007 to and including November 1, 2010 (the earliest date on which such bonds can be redeemed prior to maturity); and (ii) to redeem on November 1, 2010 at a price equal to 101% of principal amount the Series 2000 Bonds which as of that date have not been redeemed, retired or otherwise paid.

All moneys and Government Obligations on deposit with the Escrow Agent, including interest to be earned thereon, are pledged solely and irrevocably for the benefit of the holders of the Series 2000 bonds.

Inasmuch as the cash and Government Obligations on deposit with the Escrow Agent will be sufficient to fully provide for the payment of the principal of the interest on the Series 2000 Bonds, as specified above, said Series 2000 Bonds shall be deemed to be paid.

The Bonds will be secured by a foreclosable first mortgage lien on the Project. The Bonds will also be secured by the assignment by the Corporation of all its right, title and interest to a lease agreement with the County.

Prior to issuance and delivery of the Bonds, copies of the Mortgage Deed of Trust between the Corporation and US Bank, National Association, (the "Trustee") dated as of February 1, 2007 (the "Mortgage") and the Lease Agreement among the Corporation, the County, and the Kentucky Administrative Office of the Courts (the "AOC") dated as of February 1, 2007.

The Bonds in the amount of \$16,545,000 will be dated the date of issuance, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50% to 4.00%. The Bonds will mature on August 1 of each year, in the years and in the principal amounts shown below.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Revenue Refunding Bonds, Series 2007 (Continued)**

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 514,238	\$ 200,000
2009	608,069	835,000
2010	578,406	860,000
2011	547,781	890,000
2012	516,019	925,000
2013-2017	2,048,478	5,145,000
2018-2022	929,800	6,280,000
2023	28,200	1,410,000
Totals	<u>\$ 5,770,991</u>	<u>\$ 16,545,000</u>

**D. Jail Renovation**

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. On June 18, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$4,081,000 at a 5.863% effective interest rate. The terms of the financing agreement was for 25 years. The maturity date of the financing obligation is February 1, 2017. The principal balance of the obligation at June 30, 2007 was \$2,363,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 121,452	\$ 184,000
2009	111,411	194,000
2010	100,896	204,000
2011	89,756	216,000
2012	78,129	227,000
2013-2017	191,322	1,338,000
Totals	<u>\$ 692,966</u>	<u>\$ 2,363,000</u>

**E. Sheriff's Office Renovation**

On August 15, 2003, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$374,769 at a 2.245% effective interest rate. The financing obligation was for the renovation of the Sheriff's office. The maturity date of the obligation is September 20, 2023. The principal balance of the obligation at June 30, 2007 was \$313,643. Annual debt service requirements to maturity are as follows:

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Sheriff's Office Renovation (Continued)**

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 15,504	\$ 13,906
2009	14,782	14,620
2010	14,033	15,371
2011	13,237	16,159
2012	12,425	16,990
2013-2017	48,105	98,963
2018-2022	20,020	127,114
2023	165	10,520
Totals	<u>\$ 138,271</u>	<u>\$ 313,643</u>

**F. Jail Vehicles - 2005**

On March 11, 2005, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,070 at a 2.175% effective interest rate. The financing obligation was for the purchase of two vehicles for the jail. The maturity date of the obligation is March 20, 2009. The principal balance of the financing obligation at June 30, 2007 was \$18,429. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 700	\$ 10,385
2009	178	8,044
Totals	<u>\$ 878</u>	<u>\$ 18,429</u>

**G. Sheriff Vehicles - 2005**

On April 29, 2005, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$176,236 at a 4.25% effective interest rate. The financing obligation was for the purchase of nine vehicles for the sheriff. The maturity date of the obligation is July 20, 2009. The principal balance of the financing obligation at June 30, 2007 was \$91,236. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 2,581	\$ 45,000
2009	203	46,236
Totals	<u>\$ 2,784</u>	<u>\$ 91,236</u>

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**H. Sheriff Vehicles - 2006**

On July 29, 2005, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,638 at a 3.47% effective interest rate. The financing obligation was for the purchase of two vehicles for the County Police Department. However, the Christian County Fiscal Court abolished and disestablished the police department on September 2, 2006. The Sheriff's office began making payment on the vehicles in January 2007. The maturity date of the obligation is July 20, 2009. The principal balance of the financing obligation at June 30, 2007 was \$30,638. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 1,041	\$ 10,000
2009	696	10,000
2010	56	10,638
Totals	\$ 1,793	\$ 30,638

**I. Sheriff's Vehicles - 2007**

On March 5, 2007, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$84,870 at a 4.25% effective interest rate. The financing obligation was for the purchase of four vehicles for the Sheriff's Department. The maturity date of the obligation is January 20, 2011. The principal balance of the financing obligation at June 30, 2007 was \$84,870. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 4,009	\$ 20,000
2009	3,091	20,000
2010	2,078	20,000
2011	871	24,870
Totals	\$ 10,049	\$ 84,870

**J. Energy Conservation Project**

On February 26, 2007 the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$2,500,000 at a 4.25% effective interest rate. The financing obligation was to finance repairs and improvements to the following properties owned by the County. The properties include Courthouse, Courthouse Annex, County Jail, Sheriff's office, Road Department, and Animal Shelter. The maturity date of the obligation is January 20, 2027. The principal balance of the financing obligation at June 30, 2007 was \$2,500,000.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**J. Energy Conservation Project (Continued)**

Fiscal Year Ended June 30	Scheduled Interest	Principal Amount
2008	\$ 125,067	\$ 75,000
2009	122,095	75,000
2010	118,193	80,000
2011	114,031	85,000
2012	109,881	90,000
2013-2017	473,353	525,000
2018-2022	321,586	685,000
2023-2027	125,066	885,000
Totals	<u>\$ 1,509,272</u>	<u>\$ 2,500,000</u>

**K. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bond \$	3,160,000	\$	\$ 295,000	\$ 2,865,000	\$ 310,000
Revenue Bonds	16,360,000	16,545,000	16,360,000	16,545,000	200,000
Financing Obligations:					
Kentucky Association Of Counties Leasing Trust Program	3,035,265	2,892,434	525,883	5,401,816	358,291
Governmental Activities					
Long-term Liabilities	<u>\$ 22,555,265</u>	<u>\$ 19,437,434</u>	<u>\$ 17,180,883</u>	<u>\$ 24,811,816</u>	<u>\$ 868,291</u>

**Note 6. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$198,504 in interest on financing obligations and \$945,209 in interest on bonds.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 7. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**CHRISTIAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 10. Health Insurance**

Christian County Fiscal Court elected to begin a partially self-funded health insurance plan for fiscal year ended June 30, 1998. This partially self-funded insurance plan covers all county employees, and the county pays for each county employee's individual coverage. Christian County contracted with Anthem Blue Cross and Blue Shield to administer the employee benefit plan for the 2006-2007 fiscal year.

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for fiscal year ending June 30, 2007 were \$66,934. The second component is the claims cost, all of which Christian County is responsible to pay as incurred. Once an individual exceeds \$40,000 in claims or the County's aggregate claims exceed the predetermined maximum, the County will then receive reimbursements from the reinsurance carrier. Incurred claims for fiscal year ended June 30, 2007 were \$979,668 and reimbursements were \$50,955. Because the previous contract with North American Administrators had no terminal liability provision, the Court was responsible to pay all run-out claims after termination and subsequently paid \$160,500 in fiscal year ended June 30, 2007 for run-out claims. Christian County Fiscal Court's contract with Anthem Blue Cross and Blue Shield also has no terminal liability provision and the Court is responsible for all run-out claims after termination. The Health Insurance Fund had a balance of \$993,729 as of June 30, 2007.

**Note 11. Restatement of Beginning Net Assets**

Beginning net assets of the business-type activities were restated by \$4,800 for a prior year outstanding check that was a duplicate entry. The restated business-type net assets are \$193,577.



**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**For The Year Ended June 30, 2007**



**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 3,923,900	\$ 3,923,900	\$ 4,138,197	\$ 214,297
In Lieu Tax Payments	150,414	150,414	192,597	42,183
Excess Fees	397,000	397,000	1,018,566	621,566
Licenses and Permits	73,000	73,000	121,214	48,214
Intergovernmental Revenue	5,410,606	5,410,606	2,378,379	(3,032,227)
Charges for Services	221,100	221,100	233,014	11,914
Miscellaneous	176,873	176,873	202,032	25,159
Interest	99,000	99,000	242,923	143,923
Total Revenues	10,451,893	10,451,893	8,526,922	(1,924,971)
<b>EXPENDITURES</b>				
General Government	2,262,056	2,359,039	1,899,934	459,105
Protection to Persons and Property	779,495	724,742	468,453	256,289
General Health and Sanitation	300,130	300,130	277,945	22,185
Social Services	69,563	78,219	74,819	3,400
Recreation and Culture	110,800	110,800	109,962	838
Airports	33,500	33,500	26,000	7,500
Debt Service	29,389	78,361	77,014	1,347
Capital Projects	4,515,058	4,015,058	1,778,248	2,236,810
Administration	1,574,813	1,974,955	1,627,331	347,624
Total Expenditures	9,674,804	9,674,804	6,339,706	3,335,098
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	777,089	777,089	2,187,216	1,410,127
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(1,635,062)	(1,635,062)	(674,428)	960,634
Total Other Financing Sources (Uses)	(1,635,062)	(1,635,062)	(674,428)	960,634
Net Changes in Fund Balance	(857,973)	(857,973)	1,512,788	2,370,761
Fund Balance - Beginning	857,973	857,973	4,461,327	3,603,354
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,974,115	\$ 5,974,115

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,962,500	\$ 1,962,500	\$ 2,011,424	\$ 48,924
Miscellaneous	12,100	12,100	43,242	31,142
Interest	5,000	5,000	28,618	23,618
Total Revenues	1,979,600	1,979,600	2,083,284	103,684
<b>EXPENDITURES</b>				
Roads	2,191,756	2,197,750	1,943,310	254,440
Capital Projects	715,000	715,000	439,625	275,375
Administration	166,689	160,695	141,924	18,771
Total Expenditures	3,073,445	3,073,445	2,524,859	548,586
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,093,845)	(1,093,845)	(441,575)	652,270
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(169,534)	(169,534)	(107,866)	61,668
Transfers From Other Funds	1,253,379	1,253,379	270,000	(983,379)
Total Other Financing Sources (Uses)	1,083,845	1,083,845	162,134	(921,711)
Net Changes in Fund Balance	(10,000)	(10,000)	(279,441)	(269,441)
Fund Balance - Beginning	10,000	10,000	307,467	297,467
Fund Balance - Ending	\$ 0	\$ 0	\$ 28,026	\$ 28,026

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,874,996	\$ 4,874,996	\$ 4,071,334	\$ (803,662)
Charges for Services	1,151,500	1,151,500	1,045,751	(105,749)
Miscellaneous	211,600	211,600	422,083	210,483
Interest	14,000	14,000	11,818	(2,182)
Total Revenues	6,252,096	6,252,096	5,550,986	(701,110)
<b>EXPENDITURES</b>				
Protection to Persons and Property	4,405,515	4,411,631	3,884,538	527,093
Debt Service	801,858	735,558	735,558	
Administration	723,474	717,358	634,108	83,250
Total Expenditures	5,930,847	5,864,547	5,254,204	610,343
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	321,249	387,549	296,782	(90,767)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(621,954)	(688,254)	(555,381)	132,873
Transfers From Other Funds			150,000	150,000
Total Other Financing Sources (Uses)	(621,954)	(688,254)	(405,381)	282,873
Net Changes in Fund Balance	(300,705)	(300,705)	(108,599)	192,106
Fund Balance - Beginning	300,705	300,705	146,435	(154,270)
Fund Balance - Ending	\$ 0	\$ 0	\$ 37,836	\$ 37,836

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 468,100	\$ 468,100	\$ 295,955	\$ (172,145)
Interest			3,633	3,633
Total Revenues	468,100	468,100	299,588	(168,512)
<b>EXPENDITURES</b>				
General Government	218,100	166,697	70,963	95,734
Roads	260,000	311,403	311,403	
Total Expenditures	478,100	478,100	382,366	95,734
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(10,000)	(10,000)	(82,778)	(72,778)
Net Changes in Fund Balance	(10,000)	(10,000)	(82,778)	(72,778)
Fund Balance - Beginning	10,000	10,000	109,799	99,799
Fund Balance - Ending	\$ 0	\$ 0	\$ 27,021	\$ 27,021

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>REVOLVING LOAN FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	9,000	9,000	15,041	6,041
Total Revenues	9,100	9,100	15,041	5,941
<b>EXPENDITURES</b>				
General Government	309,100	309,100	15,000	294,100
Total Expenditures	309,100	309,100	15,000	294,100
Net Changes in Fund Balances	(300,000)	(300,000)	41	300,041
Fund Balances - Beginning	300,000	300,000	411,069	111,069
Fund Balances - Ending	\$ 0	\$ 0	\$ 411,110	\$ 411,110

**CHRISTIAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>E-911 FEE FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 219,000	\$ 219,000	\$ 211,028	\$ (7,972)
Intergovernmental Revenue	95,000	95,000	175,118	80,118
Miscellaneous	100	100		(100)
Interest	150	150	49,666	49,516
Total Revenues	314,250	314,250	435,812	121,562
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,413,250	1,413,250	583,176	830,074
Administration	10,000	10,000		10,000
Total Expenditures	1,423,250	1,423,250	583,176	840,074
Net Changes in Fund Balances	(1,109,000)	(1,109,000)	(147,364)	961,636
Fund Balances - Beginning	1,109,000	1,109,000	1,158,742	49,742
Fund Balances - Ending	\$ 0	\$ 0	\$ 1,011,378	\$ 1,011,378



**CHRISTIAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The Department for Local Government does not require the county to budget the Industrial Authority Revolving Loan Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis differs from the budgetary comparison schedules of the General Fund, Road Fund, and Jail Fund which have been modified to reflect the following changes: (see following pages)

**CHRISTIAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**  
**(Continued)**

<b>GENERAL FUND</b>	Actual Amounts, (Budgetary Basis)	Adjustments See Notes Below	Adjusted Actual
<b>REVENUES</b>			
Taxes	\$ 4,138,197	\$	\$ 4,138,197
In Lieu Tax Payments	192,597		192,597
Excess Fees	1,018,566		1,018,566
Licenses and Permits	121,214		121,214
Intergovernmental Revenue	2,378,379		2,378,379
Charges for Services	233,014		233,014
Miscellaneous	202,032		202,032
Interest - Note A	242,923	12,805	255,728
Total Revenues	8,526,922	12,805	8,539,727
<b>EXPENDITURES</b>			
General Government	1,899,934		1,899,934
Protection to Persons and Property	468,453		468,453
General Health and Sanitation	277,945		277,945
Social Services	74,819		74,819
Recreation and Culture	109,962		109,962
Airports	26,000		26,000
Debt Service - Note B	77,014	318,844	395,858
Capital Projects - Note C	1,778,248	2,283,027	4,061,275
Administration - Note D	1,627,331	254,428	1,881,759
Total Expenditures	6,339,706	2,856,299	9,196,005
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,187,216	(2,843,494)	(656,278)
<b>OTHER FINANCING SOURCES (USES)</b>			
Financing Agreement Proceeds - Note E		2,892,434	2,892,434
Transfers to Other Funds - Note D	(674,428)	254,428	(420,000)
Total Other Financing Sources (Uses)	(674,428)	3,146,862	2,472,434
Net Changes in Fund Balances	1,512,788	303,368	1,816,156
Fund Balances - Beginning - Note F	4,461,327	11,221	4,472,548
Fund Balances - Ending	\$ 5,974,115	\$ 314,589	\$ 6,288,704

**Notes:**

- A. Interest earned on KACOLT Acquisition Accounts.
- B. Debt Service paid from KACOLT Acquisition Accounts.
- C. Capital Assets purchased from KACOLT Acquisition Accounts.
- D. Adjustment for Health Insurance Fund.
- E. KACOLT Financing Agreement Proceeds.
- F. Prior year surplus earned on KACOLT Acquisition Accounts.

**CHRISTIAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**  
**(Continued)**

	Amounts, (Budgetary Basis)	Adjustment for Health Insurance Fund	Adjusted Actual
<b>ROAD FUND</b>			
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 2,011,424	\$	\$ 2,011,424
Miscellaneous	43,242		43,242
Interest	28,618		28,618
Total Revenues	<u>2,083,284</u>		<u>2,083,284</u>
<b>EXPENDITURES</b>			
Roads	1,943,310		1,943,310
Capital Projects	439,625		439,625
Administration	141,924	107,866	249,790
Total Expenditures	<u>2,524,859</u>	<u>107,866</u>	<u>2,632,725</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(441,575)</u>	<u>(107,866)</u>	<u>(549,441)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds	270,000		270,000
Transfers to Other Funds	(107,866)	107,866	0
Total Other Financing Sources (Uses)	<u>162,134</u>	<u>107,866</u>	<u>270,000</u>
Net Changes in Fund Balances	(279,441)		(279,441)
Fund Balances - Beginning	<u>307,467</u>		<u>307,467</u>
Fund Balances - Ending	<u>\$ 28,026</u>	<u>\$ 0</u>	<u>\$ 28,026</u>

**CHRISTIAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2007**  
**(Continued)**

<b>JAIL FUND</b>	Amounts, (Budgetary Basis)	Adjustment for Health Insurance Fund	Adjusted Actual
<b>REVENUES</b>			
Intergovernmental Revenue	\$ 4,071,334	\$	\$ 4,071,334
Charges for Services	1,045,751		1,045,751
Miscellaneous	422,083		422,083
Interest	11,818		11,818
Total Revenues	<u>5,550,986</u>		<u>5,550,986</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	3,884,538		3,884,538
Debt Service	735,558		735,558
Administration	634,108	489,081	1,123,189
Total Expenditures	<u>5,254,204</u>	<u>489,081</u>	<u>5,743,285</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>296,782</u>	<u>(489,081)</u>	<u>(192,299)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from Other Funds	150,000		150,000
Transfers to Other Funds	(555,381)	489,081	(66,300)
Total Other Financing Sources (Uses)	<u>(405,381)</u>	<u>489,081</u>	<u>83,700</u>
Net Changes in Fund Balances	(108,599)		(108,599)
Fund Balances - Beginning	<u>146,435</u>		<u>146,435</u>
Fund Balances - Ending	<u>\$ 37,836</u>	<u>\$ 0</u>	<u>\$ 37,836</u>

**CHRISTIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2007**



**CHRISTIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2007**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	
<u>U.S. Office of National Drug Control Policy</u>			
Passed-Through State Justice and Public Safety Cabinet			
Alcohol and Drug Treatment Grant (CFDA #07.000)	N/A	\$ 72,528	
 <u>U.S. Department of Housing and Urban Development</u>			
Passed-Through State Department for Local Government:			
Community Development Block Grants - State Program - Legions Circle (CFDA # 14.228)	04-050	757,812	***
Community Development Block Grants - State Program - CERF (CFDA # 14.228)	06-005	171,554	
Total U. S. Department of Housing and Urban Development		<u>929,366</u>	
 <u>U.S. Environmental Protection Agency</u>			
Passed-Through State-Department for Environmental Protection:			
Special Purpose Program- Legions Circle Grant (CFDA #66.606 )	XP-96445506	382,729	***
 <u>U.S. Department of Homeland Security</u>			
Passed-Through State Department of Military Affairs:			
Homeland Security Grant (CFDA #97.004)	M-03138124	18,898	
Emergency Management Performace Grants (CFDA #97.042)	N/A	24,660	
Total U. S. Department of Homeland Security		<u>43,558</u>	

**CHRISTIAN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**  
**Fiscal Year Ended June 30, 2007**

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Justice</u>		
Passed-Through State Department Of Justice:		
Juvenile Justice and Delinquency Prevention		
Allocation to States		
(CFDA #16.540)	2004-JF-FX-0046	\$ 13,363
Edward Byrne Memorial Formula Grant Program		
(CFDA #16.579)	2006-DJ-BX-1178	30,940
Local Law Enforcement Block Grant Program		
(CFDA #16.592)	2004-LB-BX-0392	49
Total U. S. Department of Justice		<u>44,352</u>
<u>U.S. Department of the Interior</u>		
Passed-Through State Department Of Natural Resources:		
Abandoned Mine Land Reclamation Program		
(CFDA # 15.252)	N/A	<u>22,437</u>
Total Expenditures of Federal Awards		<u>\$ 1,494,970</u>

\*\*\* Tested as Major Program or Cluster



**CHRISTIAN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Other Supplementary Information**  
**Fiscal Year Ended June 30, 2007**

Note 1 – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Christian County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 23, 2008. Christian County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Christian County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Christian County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Christian County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies described in the schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2007-1, 2007-2, 2007-3, and 2007-4.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies and, accordingly, would not necessarily disclose all deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Christian County's financial statements are free of material misstatements we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the schedule of findings and questioned costs as items: 2007-5, 2007-6, 2007-7, 2007-8, 2007-9, 2007-10, and 2007-11.

Christian County's responses to the findings identified in our audit are included in the schedule of finding and questioned costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

October 23, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Steve Tribble, Christian County Judge/Executive  
Members of the Christian County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Christian County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Christian County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Christian County's management. Our responsibility is to express an opinion on Christian County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Christian County's compliance with those requirements.

In our opinion, Christian County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Christian County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Christian County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Christian County's internal control over compliance.



Report On Compliance with Requirements Applicable To Each Major Program  
And On Internal Control Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

October 23, 2008

**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2007**



**CHRISTIAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2007**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Christian County, Kentucky.
2. Four significant deficiencies, which are also considered to be material weaknesses, relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. Seven instances of noncompliance material to the financial statements of Christian County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Christian County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Christian County reported in Part C of this schedule.
7. The programs tested as major program were: Community Development Block Grant- Legions Circle (CFDA# 14.228) and EPA Special Project-Legions Circle (CFDA# 66.606)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Christian County was not determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES**

**2007-1    Inmate Fees Of \$39,385 Were Missing From The Christian County Detention Center**

During our audit, we discovered that inmate fees were missing from the Christian County Detention Center. This discovery required us to perform additional procedures on the inmate fees at the Detention Center. We have determined from these additional procedures that \$4,986 of inmate fees was missing during the *current* jailer's term of office and \$34,399 of inmate fees was missing from the *former* jailer's term of office for a total of \$39,385. These funds were not remitted to the Christian County Treasurer or deposited into the county's Jail Fund. Our additional procedures covered the period July 2004 through December 2007. Because these funds could not be accounted for, we have referred this matter to the Kentucky State Police for investigation.

*Response of Christian County Government: Following the initial audit results for the Fiscal Year ending June 30, 2007, Christian County Government authorized state auditors to extend the scope of their audit of fees handled and administered by the Christian County Jail. In addition, Christian County Government concurred with the referral to the Kentucky State Police for appropriate investigation. Christian County Government, and its officials, have offered their full cooperation with the investigation of theses matters.*

**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES (Continued)**

**2007-2    Sales From Vending Machines Were Not Recorded To Support Deposits Made Into The Canteen Fund And Lack Of Adequate Segregation Of Duties Existed Over Vending Machine Activities**

Lack of source documentation existed for vending machine sales of the Detention Center. Additionally, a lack of segregation of duties exists over the accounting function. One employee collects canteen fees, prepares deposits, makes deposits, orders inventory, fills vending machines with inventory, fills change machines and makes payments to vendors. All transactions are made with cash and inmates carry cash while incarcerated. Large amounts of cash are maintained on site.

Underlying source documentation should be generated and maintained to support sales from vending machines. Additionally, segregation of duties over accounting functions of cash collection, cash disbursements and inventory orders or implementation of compensating controls when limited by staff size is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. The Detention Center lacks adequate policies concerning which source documents to maintain for sales from vending machines.

Lack of documentation and lack of segregation of duties can result in misappropriation of assets and/or fraudulent financial reporting including understatement of receipts, understatement of cash and misuse of inventory.

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, we recommend the Jailer require the following:

1. Each vending machine should be assigned an identification number
2. Vending machines should be programmed or replaced so that a canteen sales figure can be reported.
3. Two deputies should be present when a vending machine is opened.
4. Two deputies should determine the sales from vending machines then re-set the sales amount to zero, and finally, report the sales to the Jailer. Signature of both deputies should accompany the report to the Jailer. Sales from the vending machine should stop until it has been refilled and all monies removed.
5. Two different deputies should refill the machine, refill the change tray, and empty the machine of any other currency and change. These deputies should prepare the deposit and sign the deposit slip. A copy of the deposit slip should be provided to the Jailer and the Jailer should compare this to the daily sales report.
6. The Jailer should also compare the deposit slips to the monthly bank statement.
7. Separate the duties involving inventory purchases and payments to vendors.

*Response of Christian County Government: The Christian County Jail is implementing a double review "check and balance systems" which will record vending machines initial inventories, sales, and resulting deposits of income from vending sales.*

**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES (Continued)**

**2007-3    The Christian County Detention Center Lacked Adequate Segregation Of Duties Over The Accounting Functions**

A lack of segregation of duties exists over the accounting function at the Detention Center. One employee collects inmate fees, prepares deposits, makes deposits, prepares monthly reports, remits monthly reports along with inmate fees to the county treasurer, reconciles the bank account and makes payments from the bank account.

Segregation of duties over accounting functions of cash collection, cash disbursements and reconciliation of bank records to source documents or implementation of compensating controls when limited by staff size is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Because one employee handled all accounting functions and oversight was not provided, the following occurred:

1. Inmate fees were not deposited daily (**see comment 2007-6**) and the Jailer found \$42,888 of cash in the employee's office on December 13, 2007
2. Inmate fees were not turned over to the County Treasurer for the months of November 2006, February 2007 and July 2007 (**see comment 2007-7**) in a timely manner.
3. Sales tax due for the months of November 2006 through June 2007 in the amount of \$25,068 were not turned over in a timely manner to the Kentucky Department of Revenue (**see comment 2007-5**).
4. Inmate fees collected during the period July 2004 through December 2007 in the amount of \$39,385 were missing from the Detention Center (**see comment 2007-1**).

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, we recommend the Jailer separate the duties involving the collection of cash, deposit of cash, disbursement of cash and reconciliation of cash.

*Response of Christian County Government: The Christian County Jail has hired additional administrative staff in order to implement an administrative and accounting procedure which integrates a Segregation of Duties accounting function and compensating controls applicable to inmate fees. The foregoing results in an additional check and balance system for receipts and deposits.*

**2007-4    The Christian County Detention Center Should Review And Update Its Financial Management System**

The current accounting system implemented at the Detention Center requires inmates to make payments in cash for commissary sales and inmate fees, which are charges to the inmates for medical expenses, booking fees, and other charges. All transactions are made with cash. Inmates are allowed to carry cash while they are in the Detention Center, and large amounts of cash are maintained at the detention center to make change for inmates.

**CHRISTIAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2007  
(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES (Continued)**

**2007-4 The Christian County Detention Center Should Review And Update Its Financial Management System (Continued)**

We recommend that the Jailer develop an integrated accounting system for both inmate fees and commissary sales that does not require inmates to carry cash while they are in the Detention Center. A real-time software management system would be required to implement this recommendation. The current manual system in addition to a software management system should be used to keep track of cash obtained from inmates during booking.

*Response of Christian County Government: Christian County Jail has developed and implemented an integrated accounting system for both inmate fees and commissary sales which implements numerous verification procedures for the receipt and deposit of all cash received from commissary sales and inmate fees. The verification process of the system so implemented traces cash from receipts, written verification of receipts, integrated bookkeeping verification and subsequent bank deposit.*

**STATE LAWS AND REGULATIONS**

**2007-5 Sales Tax Was Not Remitted To The Kentucky Department Of Revenue In A Timely Manner**

During an interview with the Jailer, we were informed sales tax collected from commissary sales had not been remitted to the Kentucky Department of Revenue since October 2006. The Jailer received notice from the Kentucky Department Of Revenue that the Detention Center was delinquent in making sales tax remissions. The employee in charge of remitting sales tax admitted that payments had not been made since October 2006 and the Jailer required the delinquent sales tax payments be made immediately. Sales tax totaling \$25,068 due the Department of Revenue for November 2006 through June 2007 was remitted on December 5, 2007. We recommend the Jail Commissary remit sales to the Kentucky Department of Revenue monthly as prescribed by KRS 139.550.

*Response of Christian County Government: The Christian County Jail has always required the administrative staff to file sales tax returns with the Kentucky Department of Revenue on a timely basis in compliance with KRS 139.550. The jail has now implemented a verification process to insure compliance with its policy.*

**2007-6 The Jailer Should Have Required Daily Deposits For The Jail Inmate Fee Account**

Deposits were not made into the Jail Fund Inmate Fee Account for the months of January 2007, February 2007, July 2007, September 2007, and October 2007. KRS 68.210 prescribes minimum accounting requirements, which include deposits of receipts intact on a daily basis. We recommend the Jailer require daily intact deposits of inmate fees into the Jail Fund Inmate Fee Account in order to be in compliance with KRS 68.210.

*Response of Christian County Government: Christian County Jail has always maintained a policy of daily deposit to the jail fund inmate fee account. The Jail has now implemented a review and verification process to assure compliance with this policy.*



**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS (Continued)**

**2007-7    The Jailer Should Have Required Monthly Payments To The Jail Fund For Inmate Fees**

Inmate Fees were not distributed to the Fiscal Court during November 2006, February 2007, and July 2007, however these fees were distributed in later months. KRS 441.265 allows for the collections of these reimbursement fees and section (4) states, “[a]ny fees or reimbursement received under this section shall be forwarded to the county treasurer for placement in the jail’s budget.” KRS 68.210 prescribes minimum accounting requirements, which include a monthly report by the treasurer that includes all receipts collected for the county. We recommend the Jailer require monthly payments to the jail fund for inmate fees in order to be in compliance with KRS 441.265 and 68.210.

*Response of Christian County Government: Christian County Jail has maintained a policy requiring monthly reports to the Christian County Treasurer for all receipts due the County as per the provision of KRS 441.265. Christian County Jail has implemented verification and review process to ensure compliance with this policy.*

**2007-8    Credit Card Travel Expenditures Should Be Made In Accordance With The Fiscal Court’s Travel Policy**

Travel expenditures made out of the Jail Fund were not in accordance with the County’s travel policy. We noted receipts that were incomplete as to the nature of the expense. The County’s travel policy states “No expenses shall be reimbursed which are not directly related to job related purposes or other purposes directly related to County business.” We recommend the Fiscal Court require all employees and officials comply with the County’s travel policy by submitting detailed receipts and eliminating all expenditures that are not necessary as they relate to the business of the Christian County. We also recommend the fiscal court closely review these expenditures before payment is approved.

*Response of Christian County Government: As noted, the Administrative Code of Christian County, Kentucky states that no expenses shall be reimbursed which are not directly related to a job related purpose or other purposes directly related to county business. It is the expectation of county government that receipts be obtained for all travel related expenses. We are unaware of any violations of the County’s travel policy at this time. As additional verification as to strict compliance with said policy, the County has distributed a memorandum to County officials and Department Heads the re-emphasizes the requirement of submitting credit card receipts, including supporting details, as to all travel expenses.*

**2007-9    All Jail Expenditures Should Be Budgeted And The Sheriff’s Office Should Reimburse The Jail Fund For Expenditures Made For The Sheriff’s Office With Unbudgeted Jail Funds**

The former Jailer entered into an Inmate Pay Telephone Agreement with Securus Technologies Incorporated (Securus), which allowed Securus to continue a pay telephone system in the Christian County Detention Center. This agreement stated that the county was to receive monthly a 50 percent commission of the gross revenue from the use of the equipment through all collect calls, billed by inmates within the facility. In addition, the agreement stated that Securus would provide the Christian County Detention Center a \$100,000 equipment allowance to be utilized however deemed appropriate.

**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS (Continued)**

**2007-9** All Jail Expenditures Should Be Budgeted And The Sheriff's Office Should Reimburse The Jail Fund For Expenditures Made For The Sheriff's Office With Unbudgeted Jail Funds (Continued)

During the fiscal year ended June 30, 2007, the former and current Jailers made equipment purchases totaling \$60,595 and sent the invoices to Securus. Securus paid the vendors directly. The former Jailer took office January 1, 2007 as the Christian County Sheriff. The former Jailer spent \$6,976 on office furniture and \$11,650 on software for the Sheriff's office.

Since the county treasurer did not receive the equipment allowance, a total of \$106,546 was not included in the county's financial statements as budgeted receipts and \$60,595 in budgeted expenditures for fiscal year end June 30, 2007. In addition, we could find no indication that the expenditures were presented to the fiscal court for approval prior to payment.

KRS 441.225 states (1) Except for capital improvements, utilities and building insurance and except as provided in subsection (2) of this section, the jailer shall have authority to authorize expenditures from the jail budget. Such expenditures shall only be made in accordance with the line item jail budget duly adopted or amended by the fiscal court and the established county procurement code or purchase order procedure of the county. Payment for purchases for the jail shall be subject to fiscal court approval prior to payment. The fiscal court shall not withhold approval of payment for jail expenditures, which are within the jail budget and not unlawful.

We recommend that all telephone commissions account activity be amended as necessary, into the county's budget. Invoices should be presented to the fiscal court for review prior to payment and approved payments should be recorded in the county's appropriation ledger as budgeted expenditures. The Sheriff's office should reimburse the Jail Fund \$18,626 for items purchased from the Jail Telephone Commission Account. The Fiscal Court has the option to approve in open court that these assets can be left with the Sheriff's office since the General Fund supplements the Jail Fund as well as the Sheriff's office.

*Response of Christian County Government: Inspection verifies that all equipment secured through the incentive clause of the contract with Securus Technologies, Inc. (Securus) is being utilized for county business and by county agencies. All future invoices for equipment will be first approved by Christian County Fiscal Court. The county shall then pay invoices and seek reimbursement from Securus pursuant to the incentive clause.*

**CHRISTIAN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2007**  
**(Continued)**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**STATE LAWS AND REGULATIONS (Continued)**

**2007-10** Encumbrances Of The Jail Fund Were Understated By \$359,893 On The 4<sup>th</sup> Quarterly Report For June 30, 2007

Christian County previously reported encumbrances totaling \$212,574 in the Jail Fund as of June 30, 2007. The Current Jailer found additional bills totaling \$359,893 after the dismissal of the Jail Administrative Assistant during fiscal year ended June 30, 2008. While we understand the Fiscal Court was unaware of the bills, encumbrances (representing invoices not paid as of June 30, 2007) were understated by \$359,893. The general fund had sufficient funds available to cover these jail invoices. We recommend the Fiscal Court take appropriate steps to make sure all invoices are turned over in a timely manner for approval, subsequent payment, and proper reporting.

*Response of Christian County Government: The current Christian County Jailer upon assuming office discovered that the prior jail administrative assistant failed to disclose unpaid bills and invoices. The Jailer immediately took steps to address the accumulation of unpaid bills.*

**2007-11** The Fiscal Court Is Required To Pay For Purchases Within Thirty Working Days

Jail invoices from the current and prior fiscal years were not paid in within thirty working days as a result of the invoices being held at the jail. These invoices were discovered after the dismissal of the Jail Administrative Assistant. K.R.S. 65.140 states, "...all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor." We recommend the fiscal court comply with K.R.S. 65.140 by paying all invoices for goods or services in full within thirty (30) working days of receipt of a vendor's invoice. We also recommend that the Jailer submit invoices to the Finance Officer on a timely basis so that the invoices can be paid timely

*Response of Christian County Government: Christian County government reviews all invoices prior to payment. Any questions as to the legality of payment are referred to the County Attorney's Office. The department heads are also asked to review any questionable invoices or statemental accounts. Christian Fiscal Court is desirous of paying all invoices for goods and services within thirty (30) working days of receipt of properly documented vendor's invoices.*

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

**D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

None.

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**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**CHRISTIAN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**



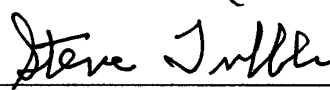
**CERTIFICATION OF COMPLIANCE**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**CHRISTIAN COUNTY FISCAL COURT**

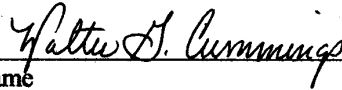
**For The Fiscal Year Ended June 30, 2007**

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Steve Tubb", written over a horizontal line.

Name

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Walter D. Cummings", written over a horizontal line.

Name

County Treasurer